

A regular dialogue

In the current economic climate, some tax advisers' clients are calling on them to justify their fees. *Stuart Dey* offers some advice on client negotiations

If your clients are sounding a little restless, how can you negotiate a deal, one that is a win-win for the client and your firm? In this article, I shall reveal the virtues of planning and how, in time, a planned approach brings stronger client relations and great loyalty.

Everyone who has spent time in tax knows that it's not as simple as filling in a timesheet, sending out a bill and waiting for the money to roll in. Oh that life were so easy!

The more time devoted to the relationship – reviewing the file to look for that tax planning opportunity, letting clients know about relevant tax changes or spending time with them finding out what's going on in their world – the better our relationship will theoretically be.

On the other hand, those providing an efficient but basic reactive compliance service often stand accused: 'We never hear from our accountant', or 'We never get proactive advice and are only told after the event that we should have done it differently'.

In reality, it's a tough balancing act, between putting the hours in to deliver great client service and doing the job for a price that the client will happily pay.

We often attempt to do the job in an unrealistically low time budget. If the client really doesn't have the budget, wouldn't you rather know this in advance, rather than sending out a higher than expected bill, often without proper explanation, and trying to negotiate a way out? This invariably results in the classic lose-lose scenario. We write off part of our fee and have an unhappy client who has paid more than they think is fair. As one client memorably said to me, 'I don't mind paying a Rolls-Royce price for a Rolls-Royce service'. So we need to take a little bit of time to speak to clients to find out what they expect, so we can get the balance right.

In reality we all have a few clients from whom, however hard we try, we never recover our costs. These are the ones that cause our partners to repeatedly lean on us to 'keep the time costs down to a minimum', or 'not to book any time at all because we've already blown the budget'. Those concerned about

recovery and profitability should ask their team and take note if the same client names come up time and time again. These clients should be top of the list to speak to about fee levels, and politely moved on if no agreement can be reached. A simple analysis of the recovery percentages should suggest a few more names for this list!

Our relationships with clients come under fee pressure when there is a difference between the expected fee and the one that lands on the client's desk (the 'expectation gap'), and when the client has affordability issues.

Clients have a reasonable expectation of *what* recurring compliance work might cost, but not *why*. So it's worth talking them through the process, so they understand what's involved and what we have to do. If there is no understanding then there's little appreciation of value; those capital allowances elections or loss relief claims are good examples. You might also help them identify areas where they can do a bit more of the work (some analysis for example) and shave a bit off our fee. My experience is that in practice they rarely do, but that's their decision and when the low ball quote comes in from the competition, they will understand that, in reality, they will probably end up paying the same as to you.

With advisory work, it's worth making sure that the client understands the problem or situation they are in, and the implications to them if no action is taken, as well as the benefit of our advice. Research and experience show that if you can do this, clients are more likely to engage you, and for a higher fee. Doubling the normal corporation tax compliance fee might sound a bit steep, but if the client can see that our extra efforts have resulted in a big R&D refund, then you are on the home straight.

In the conversation about the fee, don't forget to include payment. Why not ask the client to set up a standing order? Many clients actually like this, especially those who struggle to pay a lumpy annual bill. You'll also get early notice if the client struggles financially.

Make sure you record by letter or email



what has been agreed, with a brief schedule of what is and what is not included. This may be obvious to us, like preparing and submitting the returns and supporting computations and not dealing with an HMRC enquiry. But does the client know this? Most clients will be happy with a 'between X and Y' arrangement. Fixed fees can also work, but in all cases the key is to be completely clear on the service included. Fixed fees for an undefined service are likely to be unfair on one party or the other, and that's not good for a long-term relationship.

Once fees are agreed and standing orders are in place, we need to monitor time costs and our progress. This does not entail looking at every job all the time; just having a quick word with whoever is leading the work when we have burned 70% of our budget will do the trick. If we are on course, all well and good. If not then that's the time to get on to the client and talk through the additional work – not when the client queries the over-budget invoice you've issued three months after the end of the year. Issue small bills often, not big ones occasionally.

To reduce the risk of losing money on a client who gets into trouble, consider getting an outside agency to monitor your bigger clients so that you know County Court judgments are stacking up before getting in deeper. New clients should be credit-checked, although with standing orders this may not be necessary.

As the old adage goes, 'You can take a horse to water but you can't make it drink'. Agreed; but we need to maintain a regular dialogue with clients about fees so that we can tailor what we do – and make sure the horse is thirsty!

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